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REPORT TO THE CONGRESS 096753



Audit Of Payments From
Special Bank Account
To Lockheed Aircraft Corporation
For The C-5A Aircraft Program
During The Quarter Ended
December 31, 1973 B-162578

Department of Defense

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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FEB. 19, 1974



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-162578

To the President of the Senate and the
Speaker of the House of Representatives

This is our 11th report on the audit of payments from the special bank account to the Lockheed Aircraft Corporation for the C-5A aircraft program. This report covers the quarter ended December 31, 1973.

We made our audit pursuant to section 504 of Public Laws 91-441 and 92-156, section 603 of Public Law 92-436, and section 802 of Public Law 93-155, the Armed Forces appropriation authorities for fiscal years 1971, 1972, 1973, and 1974, respectively. Public Law 91-441 authorized \$200 million interim funding for the C-5A aircraft program; Public Law 92-156 authorized \$325.1 million; Public Law 92-436 authorized \$107.6 million; and Public Law 93-155 authorized \$28.4 million.

Public Laws 91-441 and 92-156 provide that (1) the payments be made through a special bank account, (2) the funds be spent only for the reasonable and allocable direct and indirect costs incurred by Lockheed on the C-5A aircraft program, and (3) the funds not be used to reimburse Lockheed for intercompany profits, bid and proposal costs, independent research and development costs, similar unsponsored technical effort costs, and depreciation and amortization costs. Public Laws 92-436 and 93-155 contain the same restrictions and controls, except that up to \$4.4 million of the amount authorized under Public Law 92-436 and \$1.7 million of the amount authorized under Public Law 93-155 may be paid to Lockheed for reasonable and allocable depreciation and amortization costs. These laws require us to audit payments from the special bank account and to submit a report to the Congress not more than 30 days after the close of each quarter.

Since June 16, 1971, the Department of the Air Force has paid Lockheed \$611,019,596 from the special bank account against the total appropriated amount of \$657.5 million. (See appendix.) The amounts deposited in and withdrawn from the special bank account during the quarter ended December 31, 1973, follow.

| | Special bank account | Funds authorized by Public Laws (note a) | |
|-------------------------------|----------------------------|--|---------------------|
| | | <u>92-436</u> | <u>93-155</u> |
| Beginning balance | \$ 114,324 | \$38,762,643 | \$28,400,000 |
| Deposits | 20,850,392 | | |
| Withdrawals | | 20,850,392 | - |
| Labor | \$5,615,502 | | |
| Overhead | 6,931,204 | | |
| Material and other charges | 8,168,210 | | |
| Intercompany transactions: | | | |
| Charges | \$82,121 | | |
| Credit | <u>474</u> | <u>81,647</u> | |
| | | <u>20,796,563</u> | |
| Balance at December 31, 1973 | \$ <u>168,153</u> | <u>\$17,912,251</u> | <u>\$28,400,000</u> |

^aAll funds appropriated pursuant to the authorizations under Public Laws 91-441 and 92-156 were expended as of the quarter ended September 30, 1973. (See appendix.)

As previously stated, \$4.4 million of the amount authorized under Public Law 92-436 and \$1.7 million of the amount authorized under Public Law 93-155 may be paid to Lockheed for reasonable and allocable depreciation and amortization costs. Through December 31, 1973, the Air Force had paid Lockheed an estimated \$1.8 million of the \$4.4 million for depreciation and amortization costs allowed for payment from funds authorized by Public Law 92-436. No payments had been made for depreciation and amortization costs from funds authorized by Public Law 93-155.

SCOPE OF AUDIT

2 We made our audit at the Lockheed-Georgia Company, Marietta, Georgia. Our review of labor costs included tests to determine whether these costs appeared reasonable and allocable to the C-5A aircraft program. In our review of overhead costs, we examined the reasonableness of provisional overhead rates and costs eliminated to comply with Public Laws 91-441, 92-156, 92-436, and 93-155.

To determine the accuracy and propriety of material and other costs, we traced selected charges on the reimbursement vouchers to such documents as purchase orders, vendors' invoices, receiving reports, and work orders. We verified that no intercompany profit was paid from the special bank account.

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We reviewed the Defense Contract Audit Agency audit of payments from the special bank account for labor, overhead, and material and other costs.

CONCLUSIONS

Our review revealed no payments from the special bank account to Lockheed-Georgia during the quarter ended December 31, 1973, that were contrary to Public Laws 91-441, 92-156, 92-436, and 93-155.

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We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Defense; and the Secretary of the Air Force.



Comptroller General
of the United States

TOTAL AMOUNTS DEPOSITED IN AND WITHDRAWN FROM
 THE SPECIAL BANK ACCOUNT
 DURING THE PERIOD JUNE 16, 1971, TO DECEMBER 31, 1973

| | Special bank account | Funds authorized by Public Laws | | | |
|---------------------------------|----------------------------|---------------------------------|--------------------------|-------------------------|----------------------|
| | | 91-441 | 92-156 (note a) | 92-436 | 93-155 |
| Beginning balance | | \$200,000,000 | \$321,500,000 | \$107,600,000 | \$28,400,000 |
| Deposits | \$611,187,749 | | | | |
| Withdrawals | | ^b 200,000,000 | ^c 321,500,000 | ^d 89,687,749 | - |
| Labor | \$130,906,414 | | | | |
| Overhead | 183,168,848 | | | | |
| Material and other charges | 290,723,076 | | | | |
| Intercompany transactions: | | | | | |
| Charges | \$21,279,348 | | | | |
| Credits | <u>15,058,090</u> | | | | |
| | <u>6,221,258</u> | <u>611,019,596</u> | | | |
| Balance as of December 31, 1973 | \$ <u>168,153</u> | \$ - | \$ - | \$ <u>17,912,251</u> | \$ <u>28,400,000</u> |

^aPublic Law 92-156 authorized \$325.1 million; however, Public Law 92-204 appropriated only \$321.5 million, which is \$3.6 million less than authorized.

^bInitial payment from this fund was on June 16, 1971, and final payment was on September 6, 1973.

^cInitial payment from this fund was on December 1, 1971, and final payment was on September 6, 1973.

^dInitial payment from this fund was on March 7, 1973.

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